

Message Text

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C O N F I D E N T I A L STATE 193297

FOLLOWING REPEAT STATE 193297 SENT THE HAGUE INFO BERN
PRETORIA VIENNA BONN PARIS DATED AUG 14.

QUOTE

C O N F I D E N T I A L STATE 193297

E.O. 11652:GDS

TAGS: TGEN, ENRG, NL

SUBJECT: PROPOSED US-DUTCH-SWISS SALE OF NUCLEAR REACTORS
TO SOUTH AFRICA

REF: (A) THE HAGUE 3221; (B) PRETORIA 2632; (C) PRETORIA
2801

1. IN RESPONSE TO REF A, EMBASSY SHOULD INFORM KOOIJMANS
THAT USG HAS BEEN AWARE OF KOEBERG PROPOSED PROJECT FOR
SOME TIME, THAT WE SHARE DUTCH VIEWS RE COMMERCIAL/
ECONOMIC BENEFITS TO BE GAINED IF PROJECT AWARDED TO US-
DUTCH AND SWISS CONSORTIUM, AND THAT WE SHARE THE VIEWS
OF THE NETHERLANDS THAT THE ATTITUDES IN OUR RESPECTIVE
COUNTRIES TOWARDS SOUTH AFRICAN PROGRAM WOULD BE GREATLY
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IMPROVED IF SOUTH AFRICA WOULD ACCELERATE ITS MOVE TOWARDS

NPT ADHERENCE. IN DISCUSSING THIS ISSUE, YOU MAY DRAW ON THE FOLLOWING:

2. THE KOEBERG PROJECT IS A MAJOR VENTURE (TOTAL ESTIMATED COST \$1 BILLION) THAT IT IS LIKELY TO BE OF SUBSTANTIAL ECONOMIC IMPORTANCE TO THE COUNTRY OR COUNTRIES RECEIVING THE AWARD. FYI: GE ALONE WOULD EXPECT TO RECEIVE \$200 MILLION IN THE EVENT OF AWARD LETS TO US-DUTCH-SWISS CONSORTIUM. END FYI. US ALREADY HAS IN EFFECT AN AGREEMENT FOR COOPERATION WITH SOUTH AFRICA WHICH WAS AMENDED

ON MAY 22, 1974, TO COVER THE ENRICHED URANIUM FUEL REQUIREMENTS OF UP TO 2000 MW OF INSTALLED NUCLEAR POWER. MOREOVER, IN AUGUST 1974, THE AEC CONCLUDED FIRM LONG-TERM CONTRACTS WITH SOUTH AFRICA COVERING THE ANTICIPATED REQUIREMENTS OF THE KOEBERG 1 AND 2 REACTORS. THE U.S. EXECUTIVE BRANCH ALSO GAVE ITS CONCURRENCE, IN LATE 1974, TO THE ISSUANCE OF A PRELIMINARY EXPORT-IMPORT BANK COMMITMENT FOR A GUARANTEE COVERING \$204 MILLION IN PRIVATE FINANCING FOR PLANT AND FUEL COSTS. IN THE EVENT THE CONSORTIUM RECEIVES THE AWARD WE ANTICIPATE THE PROPOSED EXPORT-IMPORT BANK LOAN WOULD HAVE TO BE REVIEWED BY CONGRESS SINCE IT WOULD EXCEED \$60 MILLION.

3. USG AGREES WITH THE VIEWS OF THE NETHERLANDS THAT THE ATMOSPHERE FOR DEALING WITH SOUTH AFRICA COULD BE EASED IF SOUTH AFRICA COULD SOON DELIVER ON ITS IMPLIED PAST ASSURANCES TO ADHERE ULTIMATELY TO THE NPT. SOUTH AFRICAN ADHERENCE TO NPT OR BROADER ACCEPTANCE OF IAEA SAFEGUARDS WOULD EASE INHIBITIONS TO PEACEFUL NUCLEAR COOPERATION GENERALLY, WOULD MAKE DEALING WITH SOUTH AFRICA IN THIS FIELD LESS POLITICALLY CONTENTIOUS, AND, IN VIEW OF SOUTH AFRICA'S POTENTIAL IN THE DEVELOPMENT AND EVENTUAL EXPORT OF ENRICHED URANIUM AND URANIUM ENRICHMENT TECHNOLOGY, WOULD BE A SIGNIFICANT ADVANCE IN THE EFFORT TO LIMIT THE PROLIFERATION OF NUCLEAR EXPLOSIVES CAPABILITIES.

4. AS INDICATED REF B AND C, SOUTH AFRICAN OFFICIALS HAVE DEMONSTRATED CONCERN ABOUT NUCLEAR PROLIFERATION AND CONFIDENTIAL

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HAVE STATED THAT THEY WERE FAVORABLY DISPOSED TOWARD JOINING THE NPT BUT HAVE HELD BACK, CITING CONCERN THAT SAFEGUARDS ON THEIR URANIUM ENRICHMENT FACILITY MIGHT JEOPARDIZE THE SECRECY OF THEIR URANIUM ENRICHMENT TECHNOLOGY. HOWEVER, WE HAVE RECEIVED SOME ENCOURAGING SIGNALS FROM PRETORIA THAT THEIR CONCERN FOR SECRECY MAY BE EASING AND THAT SAG MAY BE REVIEWING ITS POSITION IN THIS REGARD AS WELL AS ITS GENERAL NPT POSITION. THE SAG

HAS, MOREOVER, INDICATED THAT ANY EXPORTS OF ENRICHED URANIUM FROM ANY SOUTH AFRICAN FACILITY WOULD REQUIRE GUARANTEES THAT SUCH MATERIALS WOULD ONLY BE USED FOR PEACEFUL PURPOSES. USG INTENDS TO CONTINUE EFFORTS IN PRETORIA, VIENNA AND THE HAGUE TO ENCOURAGE FURTHER MOVEMENT BY SOUTH AFRICANS TO ADHERE TO NPT AND SUBJECT ALL SAG NUCLEAR INSTALLATIONS TO INTERNATIONAL SAFEGUARDS.

5. WITH RESPECT TO THE CONSORTIUM PROJECT, EMBASSY SHOULD AVOID PRESSING ANY SPECIFIC COURSE OF ACTION BY THE GON ALTHOUGH YOU MIGHT NOTE THAT WE UNDERSTAND THAT DUTCH PARTICIPATION IS VIEWED AS IMPORTANT HERE AT THE INDUSTRIAL LEVEL TO MAKE THE CONSORTIUM PROPOSAL WHOLE. (DUTCH ARE TO PROVIDE THE PRESSURE VESSELS).

6. WE WOULD BE GRATEFUL IF THE DUTCH COULD INFORM US OF ANY ACTIONS THEY MAY TAKE IN RELATION TO THIS QUESTION AND WE WILL ENDEAVOR LIKEWISE TO KEEP THEM INFORMED. IN PARTICULAR, WE WOULD BE INTERESTED IN ANY IDEAS OR PLANS GON MAY HAVE TO ENCOURAGE SAG TO MOVE IN DIRECTION OF NPT/IAEA SAFEGUARDS REGIME.

7. WE HAVE JUST BEEN INFORMED BY DUTCH EMBASSY HERE THAT GON IS EXTREMELY ANXIOUS RECEIVE THIS REPLY SINCE NETHERLANDS CABINET IS SCHEDULED CONSIDER MATTER ON AUGUST 15. SISCO UNQUOTE SISCO

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